MANAGEMENT

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By Senator John Sparkman

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By Dr. Earl P. Strong

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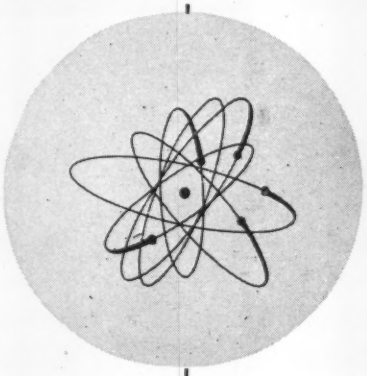

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Challenging Assignments

ALL OF US like to feel that our work is important and that our abilities are recognized. Studies of managerial morale and enthusiasm indicate that if a person continues to do the same kind of work for more than eighteen or twenty-four months, his morale and enthusiasm may decline and if so usually quite rapidly. What had been a challenge becomes a routine assignment. Many managers who have recognized this risk are taking steps to assign new and challenging responsibilities to their people, thereby, enlarging their jobs. Formal job enlargement programs such as those used at International Business Machines Company, Detroit Edison Company and other companies have been applied successfully to all levels of management.

Because there is a direct correlation between results and capabilities of the members of a group, managers benefit when they continue to test the capabilities of their people by giving them more and more challenging assignments. Since a manager's job is "getting results through people," he cannot fulfill his responsibilities without taking positive steps to enlarge the jobs of his people and to continuously raise the level of performance of the group.

In giving new and challenging assignments, we can borrow from one of the fundamental principles of the American judicial system — an individual is never declared guilty without a fair trial. We should assume, therefore, that an individual can handle more important assignments, unless he has been tested in a similar role and failed. When a job opening occurs, basic experience should not be over-emphasized at the expense of the individual's capacity to grow into the new job. In reviewing the requirements for managerial positions, many companies have concluded that functional skills decrease in importance with each successive step up the organizational ladder. In selecting managers at all organizational levels, integrity, intelligence, judgment, vocational preference and personality are being considered along with such traditional yardsticks as technical competence, education and past experience.

Companies faced with expansion and diversification programs have been forced to gamble on the abilities of certain people and it has paid off. One company selected a treasurer to be the general manager of a new product division. Another concern selected the director of purchases as a vice president in charge of manufacturing. Both men proved to be excellent choices.

The late George W. Goethals, builder of the Panama Canal, sums up this philosophy as follows:

> "Successfully to accomplish any task, it is necessary not only that you should give it the best there is in you, but that you should obtain for it the best there is in those under your guidance."

Since individual development is accelerated through challenging assignments, this approach should be encouraged as a concept of management. In this way, we will build development into each new assignment.

John B. Joynt
S.A.M. National President

SENATOR JOHN J. SPARKMAN was elected to the House of Representatives in 1936, after practicing law in Huntsville, Alabama. He was reelected five terms without opposition. In 1946 he became the U. S. Senator from Alabama, to fill out the term of Senator John H. Bankhead; at the same time he was reelected to the House—the only case in history where a man was elected to both House and Senate at the same time. In 1948 he was elected for his first full term in the Senate. Senator Sparkman is an outspoken fighter for small business and the 'little' man in general, for social welfare legislation, farmers, a sound school program and for international cooperation.

Why A Senate Small Business Committee?

By Senator John Sparkman
U. S. Senator from Alabama
Member, Senate Banking and Currency Committee
Member, Foreign Relations Committee
Chairman, Senate Small Business Committee

I AM NOT one of those who subscribe to the notion that the science of management is a product of the 20th century. What we are pleased to call modern management has its roots in an episode which probably took place in the misty pre-historic past. More than likely two cave-dwellers were even then seeking old age security by devising a method to keep marauding dinosaurs away from their caves high in the hills. They hit upon the idea of blocking off the entrance to their cave with a huge boulder. That, incidentally, was the birth of the Door Age.

One hot day as these cave men tugged and hauled at this great boulder trying to inch it up the hill to their cave, a neighbor sauntered over and, leaning on his club, watched the two struggling cave-owners. He did not offer to help. He just watched them for about an hour. Then raising his voice slightly to carry over their gasps and grunts, he said: "Say, you fellows. That's not the way to do that!"

Finding better and more efficient ways of doing things is a problem which has always engrossed the attention of mankind. Indeed, progress itself is the product of sound management judgments. The command decision of a corporation's board of directors on whether to expand by building a new plant or to acquire instead the going business of a smaller competitor involves a management judgment of great moment.

Differing more in degree than kind is the problem of the frugal housewife who sits down with pad and pencil to figure out whether it would be more economical in the long run to invest in an automatic washer or to continue sending the family wash to the laundry. Both decisions involve problems of management.

Although it perhaps is not ordinarily viewed as such, I believe that the efforts of the Congress to fashion wise public policies with respect to the myriad problems which are of concern to some 170,000,000 Americans is in essence a management activity. We in Congress are, so to speak, the members of the board of the greatest corporate enterprise in history. And just as the board of any corporation is responsible to the stockholders, so are we in Congress answerable to our 170,000,000 citizen-shareholders. There may be this slight difference: If we make a management mistake, I believe we hear about it quicker than do the boards of most of our private corporations.

When Mr. Patrick Reddington asked me to suggest a title for this paper, I told him that *Why A Senate Small Business Committee* would probably serve to sum up the gist of a few observations I should like to talk about what I think of as "Small Business" and what the representatives of "Big Business" refer to as "so-called Small Business." I do not know why it should be, but it has always seemed to me that that innocent phrase "so-called" is about as close as you can come to reproducing a sneer in type. Unlike the comment of the farmer upon seeing his first giraffe, "There ain't no such animal," there *are* small businesses—more than 4,000,000 of them—and I should like to know what is wrong with so-calling them.

The concern of the Senate for small business was first formalized on October 8, 1940, when the adoption of Senate Resolution 298 created the first Select Committee on Small Business. You will recall that this was just four months after the British Expeditionary Force evacuated Dunkirk and just three months after the Nazis started their all-out bombing of Britain. It was also on May 16 of that year that President Roosevelt asked for an appropriation of $1,800,000,000 for defense, including the production of 50,000 airplanes. We were then taking our first steps toward becoming the "Arsenal of Democracy" and the days that followed were fateful ones for many small enterprises.

Not wishing to dwell too long on the legislative history of the Committee, I shall only say that from 1940, with the exception of thirteen months from the

end of the 80th Congress to February 20, 1950, there has been a Small Business Committee of the United States Senate. I have been the Chairman of the present Committee for five of its seven years of existence.

Perhaps an explanation of some of the Committee's activities might provide at least a partial answer to the question: "Why A Senate Small Business Committee?"

Programmatically the work of the Committee falls into three main areas of activity. One of these areas involves what we refer to as "case work" or the processing of requests for assistance from individual small companies. Broadly speaking, such requests have to do with disputes either between the small business and some agency of the Government or between the small business and another business concern, usually either a source of supply or a competitor, or both.

AN EXAMPLE or two or such "case work" may help to dispel any aura of mystery or misunderstanding about how the Committee functions in such matters.

Shortly after the outbreak of the Korean War, steel became in very tight supply. A small-business man came to my office and said that he sold and erected industrial-type fences, that he had an ample supply of the wire mesh, but that, as he stated it, "when you are putting up a fence, every so often you have to sink a post." His problem was that for months he had been unable to obtain any pipe from his source of supply, which happened to be one of our larger steel producers. Complicating the situation was the fact that this steel company owned a fabricating subsidiary which competed with the small-business man in the sale of fences. As you may not be surprised to learn, this subsidiary experienced no shortage of pipe and was selling fences right and left while the small company was on the verge of having to close its doors.

A telegram was sent in my name as Chairman of the Small Business Committee to the president of the parent steel company which simply explained the plight of this corporation's small-business customer and inquired if anything could be done about the problem. Early the next morning the small-business man appeared again to say that his office had telephoned him with the news that a carlot of steel was on the way.

If there is a moral to this story, it definitely is not that the Senate Small Business Committee can produce carlots of steel on request. The important point is that in big companies, just as in big Government agencies, a lot goes on that top management does not know anything about. Our experience on the Committee has shown that when a large corporation is approached in a spirit of fair play in behalf of a stricken small concern, the situation is almost invariably corrected to the advantage of the small company. Comforting as that thought may be, I cannot help wondering where that particular small business might be today if there had been no Senate Small Business Committee.

This example of Committee activity illustrates the all-too-familiar problem which confronts small companies when large producers of basic materials also operate fabricating subsidiaries in competition with their own small customers.

I should like now to describe briefly another situation in which not one small concern but thousands of small-business men became involved through no fault of their own.

The gasoline price war in New Jersey of recent memory was touched off by the invasion of the relatively stable New Jersey market by a west coast supplier whose first act was to cut his prices drastically below the prevailing rate. What had been a market characterized by keen competition suddenly became transformed into a cut-throat price war battleground.

You do not need to be told, I am sure, that the victims of this struggle for market dominance by a dozen petroleum titans were small-business men — the thousands of gasoline service station operators who were trying to make a living in New Jersey.

Individually and through their association representatives, these small-business men told the Small Business Committee that they were being driven to the brink of bankruptcy. It appeared on a state-wide basis that approximately 25 per cent of all service stations changed hands each year in the period from 1952 through 1954. To realize how demoralized these small operators were, we need only note that many of them were the elite of the gasoline retail trade and the owners of their own stations.

The first action of the Committee was to send staff members into New Jersey to verify the facts by a field investigation. The next step was the scheduling of public hearings in Washington. These were started in December of 1955 and concluded in February of 1956 by the Committee's Subcommittee on Retailing, Distribution and Fair Trade Practices under the chairmanship of Senator Hubert Humphrey.

There was considerable public interest in these hearings, affording, as they did, a forum for the top executives of our major oil companies to explain their pricing practices in a specific market. The petroleum industry was represented by the vice presidents and general managers of the Texas Company, the Atlantic Refining Company, Sinclair, Sun Oil, Gulf, Tide Water, American, Shell, California Oil, Esso, Cities Service, and Socony Mobil. In all, 23 witnesses contributed more than 600 pages of testimony and exhibits. By the time the hearings were concluded, there was not much left unexplained about the causes and conduct of a gasoline price war.

The up-shot of this matter was that shortly after the Committee concluded its hearings, order was restored to the New Jersey market by the warring oil companies themselves. The prime mover in bringing about the armistice was the Esso Standard Oil Company, the leading supplier in that area. Esso simply availed itself of New Jersey's fair trade law and established resale price maintenance throughout the state. Within a short time, all of the major suppliers followed Esso's lead to fair trade competition. Since then, I might add, no service station operator in New Jersey has complained to the Small Business Committee that he cannot make a living because he has been forced to sell gasoline at an unprofitable price.

THE final action on this problem taken by the Small Business Committee was in the form of recommendations made to three Federal agencies.

First, we asked the Department of Justice to intensify its efforts to enforce the antitrust laws so that small retailers would be given "maximum protection against restraints of trade and other anti-competitive practices."

Secondly, we indicated our belief that the Federal Trade Commission should share part of the blame for the New Jersey price war inasmuch as the Commission "had not been properly alert to its responsibilities under the Robinson-Patman Act when the war erupted in 1950." We also reminded the Commission that if it had "moved aggressively at that time against all instances of price discrimination, the war might well have

been stopped in its incipiency."

Thirdly, the Committee suggested that the Small Business Administration investigate the desirability of making loans to qualified gasoline station operators so that they might buy their stations. Our thought on this point, of course, was that the gasoline retailer who owns his own station is not in complete bondage to his source of supply. He can, if necessary, change brands and negotiate, instead of passively accepting, the terms of his supply contract. In brief, he can, as an owner-operator, enjoy a modicum of independence.

By these typical examples I hope I have succeeded in conveying what is meant when members of the Senate Small Business Committee speak of "case work." The somewhat clinical connotation of that phrase is not misleading because by the time most small-business men appeal to the Committee for help they are, as businessmen, in a poor state of health.

The second area of substantive activity involves what is perhaps the Committee's cardinal responsibility. It is, of course, incumbent upon the Committee to keep a watchful eye on all legislative developments. Care must be taken to guard against measures becoming law which through inadvertence might be inimical to the interest of small business. More affirmatively, we work for the passage of legislation designed to achieve a more balanced competitive relationship between the big and the small units of the economy.

ONE outstanding example of legislation in the small-business field is, of course, the Small Business Administration. This agency is the successor of the Small Defense Plants Administration established by act of Congress on July 31, 1951, as the direct result of the efforts of the Senate and House Small Business Committees to provide within the executive branch an agency whose sole function is to promote and foster the welfare of the nation's millions of small, and hence relatively weaker, enterprises.

That this agency has become increasingly active since its creation during the Korean War is further confirmation of the Congressional belief that even in times of peace the economic climate of the 1950's has not been conducive to the maximum development and growth of our community of smaller independent business concerns.

It is generally, if not universally,

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recognized that one of the gravest threats to the profitable existence of small companies today is the Federal corporate income structure. Another brake on the forward motion of small businesses is the scarcity and high cost, when found, of credit.

Yet a third acknowledged menace to the well-being of our small independent companies is the rate at which more and more power is being concentrated in the hands of fewer and fewer large corporations. The integrated giants with their control of raw materials, ready access to the money market, distribution systems that blanket the country, and their astronomical outlays on advertising can weild a marketplace power which brooks little if any competitive interference from their smaller rivals.

An alert and wise national policy must, it seems to me, give full weight to these factors which are so conspicuously present in our business life. The best way to help smaller companies achieve even a semblance of competitive equality is to adjust and lighten the artificial burdens which in the very nature of things work unevenly to the disadvantage of small companies. What may be a mere inconvenience to a corporation with assets of $50,000,000 may very well amount to a crippling burden to a firm with assets of $50,000.

It was with this thought in mind that I introduced early in the present session of Congress 10 bills which I like to think constitute a rounded legislative program for the relief of small business' more pressing problems.

I shall not take time to describe these measures in detail. By way of summary, I might say that three of them are designed to make it easier for qualified small companies to obtain credit required for growth and expansion. Another two would strengthen present antitrust statutes by improving the enforcement procedures of the Federal Trade Commission and also by requiring companies with assets of $10,000,000 or more to give the Government sixty days' advance notice of their intention to consummate a merger. The remaining five bills are concerned with easing the unequal impact of Federal income taxes on small businesses, whether they are corporations, partnerships, or proprietorships.

Briefly, these tax bills would:

1. Liberalize requirements on payments of estate taxes.
2. Grant options to closely-held corporations to be taxed as partnerships.
3. Entitle proprietors and partners to benefits of pension and profit-sharing plans which are now held by incorporated businesses.
4. Extend liberalized depreciation allowances to purchasers of used industrial equipment and,
5. Substitute a graduated tax on corporate income for the present one-step schedule, thus granting substantial assistance to 98 per cent of all incorporated firms.

This last proposed amendment to the recent tax bill, H.R. 4090, seemed to me a practical approach to what is possibly the most serious problem facing many small companies today. In essence, this amendment would have provided nothing but a revised corporate tax schedule based on the ability of each company to pay. This suggestion seems eminently fair. It would mean a tax savings of about 83 per cent for all corporations earning up to $5,000 of net taxable income. Within this income bracket are approximately 47 per cent of all corporations reporting net income. Furthermore, my small-business tax relief proposal would result in a tax saving for all corporations having up to $375,000 of taxable income, and, again, that would include almost 98 per cent of all corporations having a net income. At the other end of the size scale, only about 2 per cent of all corporations would pay a higher tax, and that increase would not exceed by more than 5 per cent what the largest corporations are now paying under our present rates.

ON THE 19th of March it was my pleasure as well as duty to appear before the Senate Finance Committee to urge favorable consideration of my small-business tax relief amendments to H.R. 4090, the bill then pending to extend the present corporate and excise levies for another year. As you know, the Committee failed to report these amendments and the fight on the floor for their passage was unsuccessful. I believe that the necessity of extending the present taxes before they expired on April 1, was one of the primary reasons these measures were not adopted. The Finance Committee did indicate, however, that the amendments would be considered again later in this session when there would be more time to accord them the careful consideration they merit.

As our economy has expanded and grown more complex, the policies and programs of the executive branch of the

Government have become an increasingly important factor in the conduct of business. The decisions of executive agencies necessarily exert an influence on business in general as well as on the competitive relationship among competitors of varied sizes and characteristics.

For this reason, the third major activity of the Senate Small Business Committee might be termed a watchdog function with respect to the policies, programs, and daily activities of those departments and agencies, those boards and commissions which make life so interesting for businessmen.

Our task here is essentially to serve as a constant reminder that behind the trees is the forest and that the obscure many must be served equally as well as the prominent few. The Committee is, in a word, an advocate.

It has been the often-expressed intent of Congress, for instance, that small business should obtain a fair share of all goods and services purchased by the Government. Consequently, we have established close liaison with the Government's largest single buyer, the Department of Defense. In addition to frequent informal meetings, each year the Assistant Secretaries of the Army, Navy, and Air Force in charge of procurement appear before the Committee to render a progress report on their success or failure in making it possible for small suppliers to sell to the Department of Defense. Similarly, each year we receive an accounting from the Small Business Administration on the discharge of its responsibilities to the small-business community.

In a somewhat broader sense the Committee also keeps in close touch with the Federal Trade Commission, the Department of Justice, and the regulatory commissions in an effort to guard against small companies becoming the victims of unfair trade practices and other monopolistic-type pressures.

As specialists in the techniques of management you know, perhaps better than most, that the soundest course of action is that decided upon after a full evaluation of all relevant facts bearing on a problem. One of the greatest problems facing those who are concerned with the future of small business is the inadequacy of the data which relates specifically to the small-business segment of our economy.

I am conscious of this informational vacuum because the Resolution creating the Senate Small Business Committee charged its members in their studies of small-business problems "to obtain all the facts possible in relation thereto . . . ." Lacking a substantial body of statistical data on small business, we must rely to a considerable extent on circumstantial evidence. Let us examine the position of small business in the light of the available evidence.

Much has recently been uttered about the rising failure rate of small concerns as reflected in the figures compiled weekly by Dun & Bradstreet. The small-business failure rate is on the upswing. Last year it increased 16 per cent over 1955, a record rate in the post-war years. In January and February of this year, the rate continued to climb, reaching the highest level since 1939.

More significant than these raw numbers, however, are two other facts. The first is that in 1956, a year that saw the gross national product reach an all-time record level, the total liabilities of small-business failures rose to more than $562,000,000. There was a 25 per cent increase over 1955 for businesses with liabilities in excess of $100,000.

The second fact is that the number of concerns 10 years old and over which failed last year was double the number failing in that age bracket in 1947. This is of especial interest to me because of the widespread and I believe erroneous assumption that the high incidence of current failures is owing to the inexperience and mismanagement of the owners of concerns that have only been in business two or three years.

New qualitative data released by Dun & Bradstreet tends to confirm my own belief that many seasoned enterprises today are finding it increasingly difficult to stay in contention. It does not seem logical that management has so deteriorated during the past four years.

One of the most eloquent pieces of circumstantial evidence which throws some light on the position of small business involves the manufacturing segment of the economy. Keeping in mind the very high rate of business activity in recent years, how can we explain that between 1952 and 1955 there was a net decrease of 18,900 manufacturing establishments? This seems all the more worthy of our attention because in that same period there was an increase of some 75,000 concerns in the fields of retailing, wholesaling, contract construction, and the service trades.

Perhaps there is a casual relationship between the mortality rate of manufacturing firms and the share of total manufacturing sales accounted for by companies in the $1,000,000 and under asset size group. In 1947, these smaller producers made almost 19 per cent of all manufacturing sales, while in the first six months of 1956 their share of sales dropped off to but 12.3 per cent.

By way of contrast to the dwindling sales of smaller manufacturers, we may note with some interest that last year for the first time those companies listed on the New York Stock Exchange paid out more than eight billion dollars in dividends to common stockholders. This record dividend disbursement was 11 per cent above the 1955 figure and marked the tenth consecutive increase in total dividends.

As we piece together the scattered bits of economic evidence it looks as though a fairly strong prima facie case can be made supporting the view that the big are becoming stronger and the small are getting weaker. In industry after industry, the concentration of economic power toward the top is being accelerated by record outlays for expansion, by mergers on a wholesale basis, and by the smaller competitors simply sinking from sight.

Typical of this widespread condition is the electric appliance field. In the past two years, at least 27 companies of varying size and importance in the major appliance industry have either merged, been purchased, discontinued appliances, gone into bankruptcy, or quietly closed their doors. Spokesmen for this industry concede that within a few years no more than five or six manufacturers will produce all of the major appliances made in this country.

Let us listen for a moment to the comments of one long-established manufacturer of appliances who has recently, after much careful deliberation, decided to place his company in voluntary liquidation. Writing in the monthly publication of the Smaller Manufacturers Council of Pittsburgh, this small manufacturer stated:

> "Small industry is at the crossroads. Each manufacturer must take stock of himself objectively. He must realize where he is going—and why. It is judgment day for him if huge companies are making the same products he is manufacturing. It is judgment day if large corporations are swallowing up his competitors. It is judgment day if new materials of light-weight metals and plastics are replacing his materials. It is judg-

Services Benefits Privileges

of membership in S. A. M.

The New Program of the Society for Advancement of Management has been outlined in a brochure which is now being distributed to the chapters, the members, or to anyone who wishes to know what it means to be a S.A.M. member.

The new brochure is available to chapters in quantity, for distribution to prospective new S.A.M. members. The brochure outlines clearly and concisely the Services, Benefits and Privileges of S.A.M. membership, supplementing any chapter promotion in this area.

The areas covered in the brochure include:

- Chapter Services
- Case Study Program
- Professional Industrial Engineering Standards
- Civic Affairs Program
- Personnel Service
- Small Business Program
- Economics Program
- International Relations
- Voting Privileges
- Mailing List Service
- Regional Activities
- Chapter Operations Manual
- Industrial Relations Program
- National Office Reference Library
- National Education Commission
- Seminar Program
- Chapter Performance Awards
- Conference Program
- National Awards
- Member Cash Savings
- Valuable Personal Contacts
- Publications
- National Organization Manual
- Material Handling Program
- University Chapter Program
- Distribution Program
- Chapter Performance Awards
- Public Relations Program
- Advanced Management
- Relationship With Other Management and Professional Organizations
- S.A.M. World-Wide
- National Advisory Council
- Official S.A.M. Insignia
- Consultation & Information Service
- Research & Development
- Distribution Program
- International Relations

For those who are not members of S.A.M., but would like information concerning this oldest chapter management association in the U. S., a brochure and application form containing the requirements for membership will be sent on request.

Address requests to:

SOCIETY FOR ADVANCEMENT OF MANAGEMENT
74 Fifth Avenue, New York 11, N. Y.

ment day if automation has entered his industry and he hasn't the funds for automatic equipment. It is judgment day if his plant is poorly located or badly engineered. It is judgment day if his designs are outmoded. It is judgment day if his key personnel are ill-trained and his labor relations unsatisfactory. It is judgment day if his current position is unbalanced and no provision made for contingencies."

Notice the absence of bitterness and the simple acceptance of the facts of economic life. After producing appliances for fifty years, this small manufacturer made up his mind to quit while he was ahead because, he said, "the future looked unpromising."

It is my deep personal conviction that the future for small-business men in America should not and need not "look unpromising." We must not let the American Dream turn into a nightmare. There are economic frontiers yet to be conquered. Opportunity still beckons. Many areas of our industrial and commercial life can attract the bold, the resourceful, and those soundly schooled in the skills of business management.

THOSE of us who may have qualms about the present status of independent small business do not, as some would have you believe, want to see small-business men become the pampered favorites of our economic system. In my years as Chairman of the Senate Small Business Committee I have yet to meet a small-business man who sought an unfair advantage over a competitor. On the other hand, I have met many who objected to being pushed around by their larger rivals and harassed by bureaucrats.

Favoritism will never be the answer to the problems of small business. The only answer to their problems is for us to make it possible for them to compete in the market place on fair and equal terms with all comers.

Congress has a responsibility to see to it small firms are not crushed out of existence by tax burdens, that needed credit is made available to worthy borrowers, and that the rules of fair play as set forth in our antitrust statutes are vigorously enforced.

You who are concerned with the advancement of management can also help to preserve our free enterprise system by making it possible for more small-business men to benefit from the skills and techniques you are helping to develop.

Left to Right: ALLAN H. MOGENSEN, Director of the Lake Placid Work Simplification Conferences, presenting the 1957 Gilbreth Award to **HAROLD G. DUNLAP,** Engineer, Teacher, Researcher, Counselor and Director of Work Simplification for H. P. Hood & Sons, Inc., of Charlestown, Mass. This S.A.M. Award is given each year for distinguished service in the field of management, and the presentation is made at the annual Management-Engineering Conference.

Left to Right: S.A.M National President **JOHN B. JOYNT,** greeting the Conference Banquet Speaker, **WILLIAM L. BATT,** Past President of SKF Industries. Mr. Batt spoke on the subject, "Good Management—A Requirement For Peace". The banquet took place on the evening of the first day of the conference.

1957 Gilbreth Medal Award Citation

HAROLD G. DUNLAP

Engineer, Teacher, Experimenter and Counselor

For his distinguished service in the Industrial Engineering Movement, in the field of Motion Study.

For his initiative while a plant Superintendent in realizing the value of Motion Study in improving operations.

For his early work in continuing the efforts of the Gilbreths to use motion pictures as a means of securing employee participation.

For his establishment of a group of people interested in Work Simplification, and maintaining this active interest for many years.

For his work in developing the famous Peg Board as it is now used, and taking and analyzing 15,000 feet of film on this experiment.

For his development of several techniques widely used by supervisors in studying and improving methods, and some outstanding picture films.

For his pioneer work in establishing active Work Simplification programs in numerous hospitals.

For following at all times the best tradition of the Gilbreths.

For these reasons, among others, the Society for Advancement of Management takes pride and pleasure in presenting this award.

S.A.M.-ASME Members Fraternize At 12th Annual Management Engineering Conference

HIGHLIGHT of the 12th Annual S.A.M.–ASME Management Engineering Conference, held April 25-26 in New York at the Hotel Statler, was the Thursday evening banquet at which conference participants gathered for relaxation, fraternizing and to listen to the dynamic speech with an international flavor delivered by the former president of SKF Industries, William L. Batt.

Conference attendance was high, and all of the double sessions were filled to overflowing through both days.

Left to Right: Seated at the Speaker's Table during the Thursday evening banquet were **(left to right)** S.A.M. Executive Vice President **Harold R. Bixler,** S.A.M. Chairman of the Board **F. F. Bradshaw,** President of Richardson, Henry, Bellows & Co., **J. Richard Jeffrey,** The Jeffrey Manufacturing Company; **Ray F. Dauer,** General Electric Company, Trenton, N. J.; **Harry M. Kaiser,** (Conference Co-Chairman) U. S. Rubber Co., New York; **Frederick W. Hornbruch, Jr.,** Rath & Strong, Boston; **William L. Batt,** Philadelphia; S.A.M. National President **John B. Joynt,** American Enka Corp., Enka, N. C.; **Harold G. Dunlap,** H. P. Hood & Sons, Providence; **Allen H. Mogenson,** Work Simplification Conferences; **Hugh Bogle,** E. I. du Pont deNemours & Co. (Conference Co-Chairman); **Edward W. Jochim,** Personal Products Corp., Chicago; **Elles M. Derby,** Metropolitan Life Insurance Co., **Robert G. Hess,** Walworth Company, New York, and **T. A. Marshall, Jr.,** ASME Headquarters, New York.

New Management Writing . . .

EMPLOYEE INTEREST IN COMPANY SUCCESS

By John W. Riegel, Published by Bureau Industrial Relations, University of Michigan, Ann Arbor, 1956, pages x, 302 ($6.00).

EMPLOYEE interest was studied by interview in eight selected companies, each in a highly competitive industry. Seven were picked for the high quality of their personnel practices and efforts aimed at encouraging employee interest in company success. The eighth was chosen as typical of the "average."

This study brings out the fact that, "Company progress and success stimulate employee interest and pride." But apparently, employees do not think of "success" in terms of profits. Rather, they look at "volume of sales or shipments, present and prospective employment, the investment in equipment, and the development of new products."

It seems evident that, "Interested employees are healthy, well-motivated, and responsible persons. They are able to see and understand the interests which they share with their employers. On the other hand, the analyses of uninterested employees reveal a lack of motivation, indiscreet conduct, financial difficulties, poor health, and family troubles." For example, one said, "I just work here, that's all." Another said, "I feel that the work would be steadier if we reduced our efficiency." About such lack of interest, John Riegel points out, ". . . Continuing presence of apathetic workers in a group is damaging to its productivity and morale."

Fortunately, "Ninety percent of the direct workers who were interviewed recognized a connection between the quality of their work and customer satisfaction. . . . This study shows that such understanding can be brought about by managers and supervisors who set themselves to the task."

Eighty-five per cent thought they could control the costs of their work to some extent. But they mentioned very few ways of doing so. Some had never thought about the costs of their work.

Perhaps if a suggestion plan were introduced as was urged in one plant by union and employees, more cost cutting ideas would be stirred up. "Such a plan could be used to emphasize the mutual interests of the employees and the management." Foremen can point out the values to all, "When he receives a suggestion for a change in production methods." Then too he can, ". . . praise men for reporting wastes, dangers, and other possible sources of loss to the company."

"Employees willingness to cooperate in the use and revision of production standards can be affected by their interest in the business." Yet ". . . so few supervisors referred to fair work-loads, 'even though' seven of the eight companies set production standards."

"Of the 127 interviewees, only 11 per cent said that their supervisors had tried in conversations to interest them in their company's success or had tried to share business information with them." "Certainly much remains to be done in these companies when no more than 38 per cent of the supervisors said that higher

Reviews In Brief

COMPARATIVE ECONOMIC ORGANIZATION

By Arthur Robert Burns, Published by Prentice-Hall, Inc., Englewood Cliffs, New Jersey, $7.50.

Bringing a new approach to the subject, the author explains the differences in economic development in terms of the various aspects of scarcity that face all societies. In his analysis of the diverse ways in which countries deal with their economic problems, Mr. Burns considers not only nations' general economic and political organization, but also their access to resources, methods of organizing production, and policies concerning the distribution of income. The text presents studies of primitive, ancient and medieval societies within the same framework of comparison as used to analyze contemporary economies. A five-part organization provides sound, logical treatment. Line drawings, charts, graphs, tables and bibliographies are included in the text.

THE ECONOMICS OF JOHN MAYNARD KEYNES

By Dudley Dillard, Published by Prentice-Hall, Inc., Englewood Cliffs, New Jersey; $5.00.

Lord Keynes' **The General Theory of Employment, Interest and Money** is authoritatively analyzed and in turn simplified in Dr. Dillard's widely adopted text. Writing in a language students can understand readily, Professor Dillard presents them with a simplification of Keynes' economics as stated in his various works. The Keynes' theory always having been geared to public policy, Dr. Dillard follows this theory-in-action approach closely, relating theory to practice and avoiding the frequent student attitude that theory is abstract and unreal. Text includes bibliographies, footnotes, tables, line drawings, and arithmetical illustrations all designed for the effective use of the text.

INDUSTRIAL ORGANIZATION AND MANAGEMENT (Third Edition)

By Lawrence L. Bethel, Franklin S. Atwater, George H. E. Smith and Harvey A. Stackman, Jr.; published by McGraw-Hill Book Company, Inc., New York 36, N. Y.; $6.75.

This book (719 pages), one of the McGraw-Hill Industrial Organization and Management Series, devotes primary attention to the organization and interaction of the functions of an industrial organization as the goal of good management. This third edition emphasizes new developments in automation; operations research, government regulations and practices pertaining to marketing, industrial relations, taxation and finance; trends in the decentralization of operations; trends in labor relations and collective bargaining; recent applications of electronics to plant and office operations; new policies and practices in marketing essential to the continuation of high productivity in a strongly competitive buyer's market.

PUBLIC CONTROL OF ECONOMIC ENTERPRISE

By Harold Koontz and Richard W. Gable; published by McGraw-Hill Book Company, Inc., New York 36, N. Y.; $7.00.

An analysis of the essence and implications of government controls over economic affairs, this book not only presents a comprehensive statement of the problems that have given rise to government economic controls, but reviews the nature of and the experience under these controls, and evaluates them. All the major areas of the economy that have experienced government aid, assistance, or regulation are covered; transportation, public utilities, business activities that restrain trade or tend toward monopoly, securities and exchange, as well as other financial organizations, labor, and agriculture. In addition, the book treats with government aid to business, government ownership, and public control of the total economy, such as those invoked in wartime, and public controls instituted to promote economic stability and growth.

STATISTICAL ANALYSIS OF STATIONARY TIME SERIES

By Ulf Grenander and Murray Rosenblatt; published by John Wiley & Sons, Inc., 440 Fourth Avenue, New York 16, N. Y.; $11.00.

A comprehensive treatment of the statistical theory of spectral analysis of stochastic processes and related subjects. The authors provide both mathematical rigor and practical aspects of the problem, especially in the areas of the physical sciences and technology. The eight chapters in the book consist of: stationary stochastic processes and their representations; statistical questions when the spectrum is known (least squares theory); statistical analysis of parametric methods; estimation of spectrum; applications; distribution of spectral estimates; problems in linear estimation; and assorted problems.

and more secure wages and benefits could result from improved employee interest."

It seems to me that these findings point up our need for more and better foreman development. He is the person who can bring about the control of costs or lack of it.

In contrast, a Machine Set-up man said, "We think the information (the company sends out) is reliable; we don't have to depend so much on rumor." This attitude is much more constructive than, "The rumor is that our rates and earnings are less than those in our major competitors' plants. . . . I wish management would give us information on how we stand."

And here is an interest builder that many overlook. "The managers should get out in the shop more. Their being here talking with us would show the importance of our work to the company." Similarly, "The management has pushed this sort of thing from time to time. . . . But then management forgets about the program, and it falls flat."

Why go to all this trouble, you may ask? The key seems to lie in this conclusion John Riegel reaches. "We hazard the suggestion that a manufacturing company which can assume that the distribution of employee interest is normal, can be sustaining a loss of approximately 18 per cent of the potential of its organization because of that condition."

Here is a research report that is very instructive. It is both easy and interesting to read. It should be required reading for all managers, and supervisors—those who must get results by working with those people who do the work, in the office and in the shop. And it is recommended to men in the personnel field, particularly those who influence the type of "communications" prepared for employees.

Phil Carroll
Professional Engineer
Maplewood, N. J.

In Memoriam

It is with deepest regret that we announce the death of Dr. C. A. Slocum, former Executive Director of the Society for Advancement of Management, on May 3rd. At the time of his death Dr. Slocum was President of the Operations Research Institute of New York.

New Management Books

NEW MONEY FOR BUSINESS:

Techniques for Long-term Corporate Financing, by George J. Leness, Gillette K. Martin, and Roger T. Gilmartin; published by McGraw-Hill Book Company, Inc., New York 36, N. Y., $15.00.

The major methods of raising capital for business, the subject of this second issue of the **Consultant Reports** series, should be of real value to company officials responsible for capital-raising decisions. It outlines concisely the problems which must be faced by companies needing capital, the nature of the sources of capital for business, and the functions of the investment bankers who act as intermediaries between those who have capital and those who need it.

COMPANY INVESTIGATIONS OF AUTOMATIC PROCESSING

By Peter B. Laubach; published by Harvard University Press, Boston; $3.00.

This book reports the results of one of a series of studies conducted as part of the data-processing research project of the Harvard Business School. This project was started in 1954 and will continue indefinitely. It is concerned with data-processing systems found in business organizations, with the use by management of information flowing out of these systems, and with automatic equipment developed for use in these systems. Mr. Laubach's study is a report of the approaches taken by various companies in investigating data-processing needs to determine what, if any, automatic equipment they should require. Analogous administrative problems might arise in connection with installing new equipment and new systems and in their operation.

CONFERENCE LEADER'S GUIDE FOR SUPERVISION OF SCIENTIFIC AND ENGINEERING PERSONNEL

Compiled by John T. Lloyd and Robert D. Gray; published by the Industrial Relations Section of California Institute of Technology, Pasadena, California.

Parts one and two of this work treat with suggestions on how to use Supervision of scientific and Engineering Personnel in developing supervisors within a company; characteristics and development of the professional employee; building and maintaining a good technical team; appraisal of performance; the supervisor's role in professional development; policies for salary administration; benefit plans; handling complaints and grievances; unionization of professional employees, communications; organization of a professional work group; what professional workers expect of their workers. Part 3 treats with supplementary material: relating to Conferences and practicing supervision.

EDUCATION AND HUMAN MOTIVATION

By Harry Giles, published by Philosophical Library, 15 East 40th St., New York 16, N. Y.; $3.00.

The author, director of the New York University Center for Human Relations Studies, suggests salient aspects of inquiry into the nature of man and society. He is convinced that research and social action in any field may gain meaning from an integrative theory of behavior and may be so designed as to test and improve that theory.

ECONOMIC ANALYSIS

By Edmund Wittaker; John Wiley & Sons, Inc., New York 16, N. Y., 6.50.

This book views the economy as a system whose parts are interlinked to form a whole. In technical terminology, it integrates macro- and micro-economics. The author takes into account the contributions of the various schools of economists toward an understanding of both the parts and the whole.

EXECUTIVE PERFORMANCE AND LEADERSHIP

By Carroll L. Shartle; Prentice-Hall, Inc., Publishers, Englewood Cliffs, New Jersey, $4.50.

This book gives a practical interpretation and presents many examples of the behavior of persons assumed to be in leadership positions in business, educational, and governmental organizations. It should be of interest to persons who now work in organizations and to those who will someday be employed by them, particularly in leadership roles.

THE PRACTICE OF UNIONISM — An Inside Picture of Labor Unions Today

By Jack Barbash; Harper & Brothers, Publishers, New York 16, N. Y.; $5.00.

In this study, Jack Barbash continues his knowledgeable analyses of the labor movement in America which he began in "Labor Unions in Action" and other important studies. Here, Mr. Barbash examines the ways in which unions have worked to enlist the loyalties of their members on the basis of social usefulness as well as self-interest, and the meaning of the success that they have attained. The focus is on the labor movement from 1933 to the present, with emphasis on the period following the passage of the Taft-Hartley Law in 1947. Discussion of the significance of the AFL-CIO merger brings the record up to date.

CLIFFORD C. JAMES founded the University of Baltimore's School of Business, Industry and Management in 1945. Today it has over 2,300 students, conducts specialized training courses for the U. S. Air Force Reserve throughout Maryland, is an important part of Baltimore's business life and is nationally known for its progressive management programs. Mr. James is also well known as a management consultant and is orginator of the James Coordinated Management Programs, a highly successful small business management service. He is also co-editor and publisher of ECONOMIC FORUM.

How To Plan And Set Up An Effective Marketing Program

By Clifford C. James

Management and Marketing Consultant and Dean, University of Baltimore School of Business, Industry and Management

YOUR business and its earnings is dependent on the distribution and sales of your products or services.

Production may be the pounding heart of your business, but distribution channels are the arteries leading to this heart and sales is the lifeblood that flows through these arteries and keep the production heart pounding.

The finest product or service is useless until it is in the hands of the consumer or user. Your company's inventory does not represent a profit, only an investment, so even your production and operating savings are not made until the product or service is sold.

In our highly competitive, dynamic economy, the future of your business, just as the future of our economy, depends on more and more sales—on adequate distribution sound marketing methods, effective advertising and promotion, and an aggressive, hard-hitting sales organization supported by a sales-minded office force and management.

For your marketing program to be successful it must be built on facts—provided by sound product or service, consumer, and distribution research. It also requires careful planning and coordination with other departments of the business so that your sales and production efforts and costs are correlated to assure a profit on each sale. That is why you are in business.

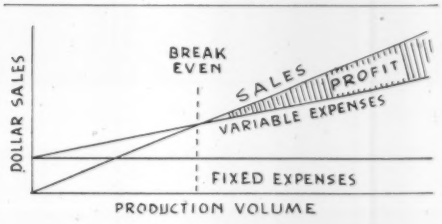
Step No. 1—Planning for Profit

Every business has fixed expenses that must be met before it can make a profit. Only additional sales can effectively get you over the break-even point, so the job of your sales organization is to keep your production volume as far above your break-even point as possible. *The nearer your production is to plant capacity the greater your income will be.* That is true also with the individual in business because he has a time and ability capacity and the more he can accomplish the greater his income should be.

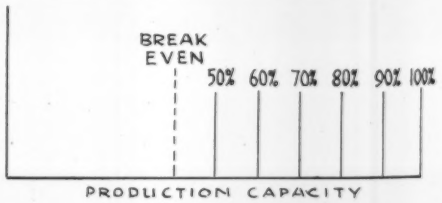
But remember, the profit a business or an individual makes depends on the cost of obtaining the job and doing it, so cost savings are vital to your profit position and it is essential that you have cost data on the production of each of your products and for each operation of your business. It is foolish to spend money, time, and effort getting sales if your profit is eaten up in high expenses, poor estimating or purchasing, heavy inventory, or in too costly production methods. Good cost data also points up areas of possible savings when you have to meet competition.

The first thing is to determine your production capacity on each of your products or services and your plant capacity as a basis for sales planning.

Now, 1—Determine at what percentage of plant capacity you can operate with your present personnel, equipment, working capital, etc. 2—Decide what additional personnel, equipment and capital would be needed to operate plant at the various levels of capacity and at full capacity.



Step 1 - Figure 1



Step 1 - Figure 2

You now have a blue print of your plant capacity and operating ability and cost standards for each level of operation.

Step No. 2—Market Research

The next step is Market Research—to find out if your product or service is salable in sufficient quantities or volume to warrant production and sales

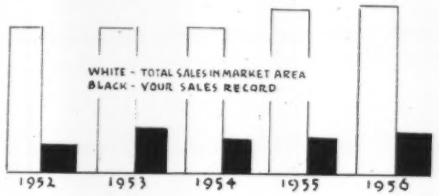
costs, to find out who will buy your product and why and where your customers and prospects are located and how you can most effectively reach them with advertising and at point of sale.

First, *take a look at your market*

Potential Market—Number of possible customers..... Outlets to sell them..... Present Market—% of Potential Market ..... Potential customers..... Outlets .....

Then, *take a look at your sales*

How many outlets do you actually have or how many customers do you actually have? Analyze your sales records and compare what you have to potential sales in your present territory. Analyze the business possibilities in other areas.



Step 2 - Figure 2

Are you getting your share of the business in your present territory?
Can you get more business from your present territory with your present staff?
Is there something wrong with your product?
Are your prices out of line?
Do you need more advertising and promotion?
Do you need more salesmen?
Should you expand?

There is Only One Way to Find Out—Through Analysis

You must analyze your products or service, your customers and potential customers, and the methods of distribution within your market. Are your products, services, or methods getting obsolete? What are the facts? You can make this study yourself or you can have a market research organization do it for you, or, if you employ a reputable advertising agency you can get it done as a part of the agency service. But it must be done—and periodically if you are to know where you stand in relation to changing conditions in your market.

Step 2 - Figure 1

WHETHER YOU DO A NATIONAL, REGIONAL, OR LOCAL BUSINESS, MARKET STUDIES ARE VITAL TO EFFECTIVE PLANNING AND CONTROL

Find out these things . . .

Product Analysis

Is product or service sound, safe, perfect?
Is it as good, better, or below competition?
Can it be improved?
Is it priced right for customers, competitors, profit?
Is it profitable to continue selling product or service?
Is it packaged right—for eye appeal, shipping, cost?
Is package as good or better than competitors?
Are we giving adequate service?
Is there something we could add to improve product?
Do we need other sizes?
Should indicated changes be made now — when?

} Gives you manufacturing data, cost data, packaging data, selling points

Consumer Analysis

Who are our buyers —	men, women, or both?	Gives you sales possibilities, types of buyers and their ability to buy, also buying habits, motivations and changing economic status, selling points and media data
	what age groups?	
	what income groups?	
	occupations?	
	if business firms — who will buy?	
Why do they buy —	home use, necessity or luxury, etc.?	
	personal use, pleasure, vanity?	
	industrial use, office, plant, etc.?	
	gifts, etc.?	
	how do they like product or service?	
How do they buy —	cash or charge?	
	time payments?	
	do they want special discounts?	
	how often do they buy?	
Where do they live —	city or suburban areas?	
	small towns, country?	
	percentage in each area?	
Is product packaged right —	for customer impact?	
	for convenience in use?	
	for storage, etc.	

COST REDUCTION through MATERIAL HANDLING
2nd Annual S.A.M. Conference on
MATERIAL HANDLING
June 13-14 • Hotel Statler • New York City

Distribution Analysis

Is present distribution method best?
What are other channels of distribution — Direct Sales?
Direct Mail?
Mail Order?
Distr.-Jobber?
Wholesaler?
Assoc. Buying Groups?
Chains?
Direct to Retailer?

Gives you distribution data, types and number of outlets for your product, best territories, discount pattern and trends, and media data.

What are best territories for your product or service?
What are best outlets, or method of reaching customers?
What discounts should be given — to distr.-wholesaler?
assoc. buying groups?
chains?
retailers?
special discounts?

Step No. 3—Planning Production to Sales Potential

You now have the facts regarding your production ability, your market potential and your present position in your market. Based on your market findings, your personnel and production capacity and your financial position, you determine the best markets for your products or services, the possibilities in your present territories and the percentage you now have, and the extent of your marketing program for a projected period.—At this point you may find it is necessary to expand to maintain your position in the market and so utilize your production facilities to the fullest; or you may find, because of your limited personnel, financial and plant abilities, it is better to consolidate your position in your present orb for the time being.

Here is an example of how you use your data to arrive at a conclusion:

Types and number of buyers, their wants and ability to buy.

Where they live and No. of outlets to reach them.

Take the 345 drug store and 25 department store outlets in the example market, set a quota based on your selling 50% of the outlets 12 units a week for four weeks and you have 185 outlets selling 12 units a week:

2220 Units a week
4 weeks sales

Total.....8880

Cost of Production based on 10,000 units
Job Cost—material ..... $
Labor.....
Overhead .....
Advertising $ Sales .....
Salaries .....
Other expenses .....
Your profit ..... _____
Gives you your selling Price ..... $_____

Using this pattern you can analyze your entire market, or each territory within your market individually, and establish a sound plan of correlating your production abilities and capacities to your sales potentials and abilities.

Step No. 4—Organizing the Marketing Program

You are now ready to set up your marketing program using the data you have and the better understanding of your market and position in the market as a foundation upon which to build. Here are the procedures:

1. Distribution Program—
   - Territories to be covered
   - Number of outlets or customers in territory
   - Channels of distribution—discounts and pricing
   - Marketing schedule—step by step procedures
   - Appropriations and financial needs
2. Advertising Program—
   - Media to reach customers
   - Type of advertising
   - Media to wholesalers, dealers, etc.
   - Sales promotion material
   - Advertising program & Schedule
   - Advertising budget
   - How program will be handled
3. Sales Program—
   - Sales organization—number of salesmen needed
   - Allocating territories for sales balance
   - Determine method of compensation
   - Establishing quotas
   - Use of sales promotion, catalogs, etc.
   - The sales budget
   - Sales controls—the sales chart
4. Service Plan
   - The service policy—free of charge
   - How much service
   - Method of giving service—who will give it

There is one other important factor you must establish and that is SALES POLICIES. Put them on paper, have them printed so that your salesmen, your customers, and all people doing business with you will know where you stand, price-wise, service-wise and from every other angle. Nothing breeds confidence more than clear understanding.

Step No. 5—Maintaining Sales Efficiency

Markets are continuously changing and so are the wants and buying habits of people and firms. A good market today can be a poor market next year because of business, economic, or population changes. A good product today can be obsolete tomorrow because better products are continuously coming on the market. A hundred things can happen

CONSUMER DATA

Types and Number of buyers, their wants and ability to buy.

DISTRIBUTION DATA

Where they live and number of outlets to reach them.

gives you

POSSIBLE SALES VOLUME

	Buyers	Drug	Dept.
Balto.	500,000	300	20
Fred'k	30,000	30	3
Salis.	10,000	15	2
Total	540,000	345	25

Step 3

to change your sales potentials. So it is vital that you continuously study your markets and sales program so that you will have up-to-the-minute data to help you keep control over your sales and production and to point up opportunities for expansion of old products or services or for the introduction of new products or services.

WATCH—

1. Your competitors—their changing policies and how you compare
2. Economic changes in territories—population shifts, business moving away, drop or raise in income of population, etc.
3. Is your sales effort in territory maintained at top level
4. Are sales potentials growing or decreasing
5. Are sales costs getting out of line
6. Should you expand to other territories—can you do it efficiently and profitably
7. Is there a market for a new product or line and can you supply it profitably
8. Are you maintaining profitable sales—what is the trend
9. Are your personnel, equipment, and plant being used to the fullest.

Remember, a 2% profit on a sale of $100,000 is better than a 5% profit on a sale of $30,000.

A high price may deprive you of sales volume because your price is too high. On the other hand, a too low expense ratio may mean you are not spending enough on advertising, promotion, and selling to produce the sales volume that could be obtained by your business.

You must spend money to make money. ■

CIPM Reports . . .

CIPM Team in Finland Spurs Plans for Advanced Management Institute

Now going into its third year, the CIPM management team in Finland is working with Finnish management leaders and educators to lay the groundwork for an Advanced Management Institute, which will be another milestone in the team's program of introducing and disseminating scientific management principles to all levels of Finnish industry. Patterned somewhat on the Institute for Advanced Management in Turin, Italy, established in 1953 from the impetus of a CIPM management seminar team and forward-looking Italian industrialists, the Advanced Management Institute will be Finland's first graduate school of management and a proven and effective means of increasing and strengthening the management and the industrial economy of the country.

As reported in this column in April 1956, CIPM two years ago recruited and organized a team of three American management specialists: a general management man, a production expert, and a marketing executive, to go to Finland for the primary purpose of acting as consultants to Finnish industry and assisting Finnish management leaders in the improvement of their production methods, in increasing their markets, and in raising the general level of their management. The project was and is unique in the annals of the Council's international management seminar program, in that it is completely privately sponsored—by a group of American industrialists in cooperation with an interested group of industrialists in Finland. Working through the medium of a non-profit management consulting firm in Helsinki, the American team members began their program by providing consulting services for large industries in various industrial areas of the country. As these initial consultations proved successful and created a feeling of confidence in the Americans on the part of Finnish industrialists, the American team moved on to another educational technique, that of management seminars. Each company that had benefited from earlier consultations was asked to share its new-found knowledge through participation in the management seminars held in its area, and thus the precepts of good management reached an increasingly large audience.

In the summer of 1956, the Finnish Foundation for Productivity Research, under whose auspices the American exchange program was organized, appointed a committee to make recommendations for an advanced management institute.

How the Finnish Institute Will Operate

Under the recommendations of the committee, the Finnish Advanced Management Institute will operate, not as a separate academic unit, but in close conjunction with three existing institutions: the Finnish University of Business Administration, the Swedish University of Business Administration (which provides business education for the Swedish speaking people who comprise about 8% of the Finnish population) and the Institute of Technology. For the first year or two it will require outside financial support, together with the addition of four American professors on its faculty to head up the production, marketing, personnel, and financial management divisions. Through close liaison with the three universities in Helsinki mentioned above, the Institute will have access to instructors, researchers, and administrations who will work with the American professors with a view to having the Institute entirely in Finnish hands, on a self-supporting basis, within two years. As part of their training program, future Finnish professors at the Institute would hope to spend some time studying in universities in this country, in addition to their apprenticeship under the American professors in Finland.

The Institute's curriculum will begin on a four-month basis, spaced through the year from January through August, thus enabling its students to attend the courses without undue interruption to their business lives—and without too extended loss of their time on the part of their firms. In fact, the four months of study may even be spaced over a period of two years. As the Institute gains acceptance and support from Finnish industry, it will also gain independence from U. S. financial aid. In the words of the Chairman of the Finnish Foundation for Productivity Research, "it is reasonably certain . . . that once our industrialists generally recognize the value of the Institute in providing them a means of having their own younger management men trained in proved principles of scientific management—and when they have an opportunity to see the value of the application of these principles by those same young men after they have had their advanced training—they will be ready to support, without stint, development and progress of the school." ■

Jane Dustan
CIPM Editor

JOHN M. FOX is credited by many as being the founder of the frozen concentrate industry, of which he is a leader. In 1945 he formed Florida Foods Corporation, the first frozen juice concentrate company. Today the company's annual sales exceed one hundred million. After graduation from Colgate, Mr. Fox became a salesman for IBM. During the war he was an executive with National Research Corporation, engaged in doing research for the armed forces. Out of that research came adaptation of the high vacuum drying process to the mass production of penicillin and blood plasma. Also out of that work came the idea that concentrated orange juice had marketing possibilities.

What It Takes To Be A Manager

by John M. Fox
President
Minute Maid Corporation
New York

TO BE at all objective about the controversial subject of what it takes to be a manager, one must review the three broad phases of management evolution that have developed during our lifetime. Fifty to 75 years ago nearly every company in America was managed by its owner. Some of the most exciting chapters of our industrial history were written by brilliant, far-sighted and tough-minded men like Henry Ford, Harvey Firestone, George Westinghouse.

With the growing need for capital to expand, ownership shifted to the public. Guidance of companies remained for the most part in the strong hands of such giants as International Business Machines Corporation's Thomas J Watson, Sewell Avery of Montgomery Ward, Walter P. Chrysler, and hundreds of others, many of whom are still running a good show in their respective companies. But a one-man show.

As our businesses have become more complex, demanding special knowledge in production, taxes, marketing, engineering and finance, the job of running a company has gotten too big for any one man. Hence the birth of the team management idea. It is perhaps best exemplified by General Motors Corp., one of the earliest and probably still the most successful proponent of this modus operandi.

The team concept has some very real hazards, however. The need for specialization has tended to produce men with a kinship for finance or sales or production. This often develops an overemphasis of their specialty to the detriment of the whole operation. This was exemplified in the recent book and movie, "Executive Suite." Here was an instance of the company controller who had gone "overboard" on the importance of the financial scoreboard side of the business.

After World War II, our managements awoke to the great need for and the great lack of qualified top management men. Executive development plans became a fad; nearly every major company had one. "Job rotation" was the watchword. Advance management courses at universities were in great demand, and still are. I am not in any way belittling these efforts. Some have proved effective; others have failed. You all probably know examples of each. A feeling is emerging, however, that to find our leaders of tomorrow is more fundamental than merely to appoint a group of "crown princes" who may or may not have what it takes to be good managers.

I attended a round table conference of business executives at Columbia University recently. Subject of discussions that took place one evening a week for two months was "Management of Expanding Enterprises." The topic that came in for a heavy concentration of study was the selection and training of men to manage a growing enterprise.

From these discussions and from observations of other business leaders shepherding effective management teams, I have chosen six fundamental qualities that must characterize men destined to command in business. This list is not complete and I must point out that these six qualities are rarely, if ever, found in their fullest degree in any one man. Such a paragon of perfection probably does not exist. The list may be useful, however, to anyone who wants to climb high on the management ladder and who is willing to pay the price of the climb.

The qualifications are:

1. *Creative ability.* Business is looking for *men who can think.* There are many synonyms for this quality. It is sometimes called vision; also imagination. Whatever the term, remember that nothing starts without an idea. Ideas are the lifeblood of an organization, a must for success, an essential of all growth. To be a good manager, a man must have the ability to think creatively, constructively and clearly. The leadership role in management calls constantly for resourcefulness: The fast-moving, continually changing pattern of the modern competitive business world demands this quality if success and satisfactory profits are to be realized.

There are many misconceptions about the ability to have ideas. One of the most outrageous statements on the subject I have ever heard came from a professional friend of mine who said that a man should change jobs and preferably businesses after he had produced 10 good ideas. Yet, it is well recognized now that the brain not only never tires, but becomes more productive and efficient with use. Moreover, no one has yet been able to utilize more than a small fraction of the potential in his brain.

The ability to think creatively can be developed. One of the greatest aids to this worth-while pursuit is *use of our subconscious* minds. Those of you who have learned to tap this great human resource know its value.

My own first such experience took place early in my sales career with International Business Machines, and before I had heard or read anything about the subconscious mind. I had sold my first installation of tabulating equipment to a textile firm in New Bedford—Wamsutta Mills, Inc. I'm afraid that in my great anxiety to make that ice-breaking sale I oversold the customer rather shamefully. It wasn't until the machines were delivered and the installation of the accounting system under way that I realized I had promised results the machines were not designed to produce. I spent several anxious, then panic-stricken, days trying to make the equipment live up to my claims.

Finally, nearly at the end of my rope, and quite seriously wondering if I would be fired when Wamsutta learned the truth and the machines were sent back, I spent one whole evening at the New Bedford Hotel recapitulating and reviewing the elements of the problem. With no glimmer of an answer, I went to bed, exhausted and completely discouraged.

THE NEXT morning as I was sitting in the bathtub, the answers to my problem started to come to me as clearly as if they were being written on the tile wall around the tub. I jumped out and without bothering to dry myself hastily wrote down the procedure that had seemingly just popped into my mind.

Wasting no time on breakfast, I tore down to the Wamsutta office, punched up the cards needed to test the program and started the machines. It worked exactly as I had visualized it and exactly the way the Wamsutta people wanted it!

Many years later I learned that this was a demonstration of my subconscious mind at work. I learned that it is best to feed the elements of a problem to your mind just before you retire. Then while you are in repose that night or perhaps after several nights, the solutions will come to you, almost like magic. And, what is much more important, the solutions will represent clearer and sounder thinking than you can usually produce with your everyday conscious mind. The old axiom of "Let's sleep on it" is based on this power, and I heartily recommend it to you as a valuable tool in your management kit.

A few other thoughts on creative ability: Be curious—ask questions—keep an open mind to the other fellow's ideas—and listen. By all means, learn to listen!

Remember, above all, that your superior expects you to bring him solutions, not problems.

2. *Judgment.* Webster defines this somewhat elusive quality as the "ability to judge justly or wisely, especially in matters affecting action." It is also described as "good sense." *Men who are destined for leadership must be men who can make sound and wise decisions.*

This *sound thinking* qualification goes hand in hand with the creative thinking attribute. Sheer brilliance of innovation and invention can be disastrous without a counterbalance of common sense.

I had a superior early in my sales career who was quite famous throughout the company as a trainer of men. He had an impressive record of raw college graduates who had started under his tutelage and become high producers and often good managers in a remarkably short time. One of his pet aversions was people who would not "use their heads." Instead of solving our problems for us when we came into his office with one, he would tell us to turn around and read aloud the sign tacked above his door: "AS A LAST RESORT USE COMMON SENSE."

There have been countless examples of great, earth-shaking fiascos that came about because someone in a key position failed to use good judgment—forgot the fundamentals of simple common sense.

The inventor of the modern self-service store, Clarence Saunders, fell into this trap not many years ago. After his spectacular success with the Piggly Wiggly stores, forerunners of all of today's markets, he went overboard for the completely automatic grocery store.

He called it the Keydoozle store. It worked something like this: As the customer entered, he was handed a little metal gadget that looked like a pistol. The merchandise was racked around the store on display as single units behind glass panels. Under each item there was a keyhole-like aperture into which the customer poked his pistol-like key. He would pull the trigger once for each item he wanted.

This action would record on a punched tape the price of his purchase and set up the "backstage" machinery to assemble his order on a conveyor belt. By the time he had made his selections and walked to the cashier, who would run the tape from his hand machine through a computer, the entire order would be assembled and boxed and waiting for him in the front of the store.

QUITE an idea! No pushing carts around a block-size amphitheatre. Space would be conserved. Time would not be wasted at the check-out. Labor would be saved because hard-to-maintain mass displays would be eliminated. In principle it was great, but the idea was a huge flop. Why? It took more maintenance men to keep all the machinery running than any store operator could afford, and even then it would invariably break down on Fridays or Saturdays during the heaviest shopping hours. The resulting chaos made it a joke.

Is judgment something people are born with? I think not. I go along with an old college professor of mine who once lectured the class on how to develop judgment. He advised that we should take every opportunity that presented itself to practice and exercise our judgment. He recommended that we study public issues currently under discussion in Washington. Read all we could about them. Read the commentators' and columnists' opinions, but reserve our decision until we had gotten both or all sides of the argument. Then carefully weighing the evidence, the facts and the opinions we had uncovered, we should make up our minds on the issue. We should write down our considered position. Later, when time had finally brought the right answer to light, as it nearly always does, we should compare our position with what turned out to be right. "This practice, if started early enough in life, and continued for as long as you live, will develop wisdom without the price of expensive mistakes," my professor said.

A final thought on this matter of wisdom. A negative, fault-finding ap-

proach is not a substitute for judgment. Every new idea can be killed at birth by a superior who sees nothing but reasons why something won't work. Enthusiasm and a positive attitude are important elements in the balance required of a leader whose judgment and decision-making activities will be tested from the day he assumes important managerial responsibility.

3. *Administrative skill.* The good executive must be able to foresee the needs of his operation—to forecast its requirements in manpower, materials, money and time. He must have the ability to resolve these needs into a practical and understandable program. Modern business must have *men who can plan.*

This is the unglamorous side of the manager's job. It requires painstaking concern over a multitude of details; it requires more than a little "i" dotting and "t" crossing; it requires concentration and vigilance; above all, it requires an orderliness of mind and method. In my opinion it is an area where many otherwise high-caliber executives are weakest. In the pressure and pace of daily operating affairs, it is a problem for many to find time for the planning and thinking out of projects. This failure can be, and often is, the graveyard of many worth-while ideas—with subsequent waste of dollars and hours.

Our forefathers may have been able to operate on an "opportunistic" basis. The growth of our economy, the unlimited natural resources, the vast untapped markets permitted and in many cases called for the fast-moving, crap-shooting business swashbuckler.

Times have changed. The difficulty of creating capital wealth because of the tax structure and the competitive complexion of our current economy do not permit much leeway for such waste of either money or time.

One of the outward manifestations of this quality of administrative skill is orderliness. The way a man marshals his thoughts, the way he presents his arguments, the way he plans his own life, the way he keeps his working quarters—these are signs of an orderly mind, or lack of it.

Omitting the unforeseeable emergency that can throw a curve into any of our personal lives, the good manager lives within his income. He finds ways in spite of today's inflated living costs to protect the financial security of himself and his family, to provide for their health and well-being and to spare himself the mental anguish of not being able to make ends meet. This calls for a real measure of sacrifice, in most cases, and a family decision to forego many of the material enticements with which our society abounds.

4. *Positive attitude.* A manager must be optimistic. He must radiate confidence and enthusiasm. The business world of today and tomorrow wants leaders *who can inspire.*

This positive approach cannot be a manufactured or an artificial one. It must not be merely a pose; it must be sincere and deeply felt. A company, an operation within a company, a project within an operation, must be led by a manager who has an all-abiding faith in his work and objectives. This faith is usually the secret weapon against the discouragement of difficulties and problems.

The manager's behavior, his facial expressions, even the droop of his shoulders, are all watched closely by the rank and file of employes. A discouraged and despondent executive can send the morale of 100 or more employes into the gutter. A worried-looking boss can send a wave of fear rolling through an organization which starts a chain of resignations among the best people and work slowdown among nearly all of them.

You may properly ask, how does a man develop a positive, optimistic attitude? With the problems of Government regulations, taxation, cutthroat competition, strikes, personnel failures besetting him daily, most modern managers face enough grief to make them contemplate suicide once a week. How do some men develop the ability to relax in the midst of constant pressure and trouble?

An important key to the answer is health. Vigorous good health is essential if a manager is to keep up the pace demanded by managerial responsibility. This means proper eating habits, care against overindulgence in smoking and drinking, adequate rest and exercise. A sick or half-sick manager is a real handicap to a company.

All work and no play usually produces a tense and grim executive. Hobbies and outside interests give a man greater capacity and vigor in his professional role. Vacations are necessary—and no company should permit its key executives to get so swamped that they feel guilty for taking time off.

It is not easy to stay undisturbed when things around you are going wrong. Jokes about the ulcer incidence among business managers is no joke. Our country's consumption of aspirin is a national disgrace.

ANOTHER important weapon against worry and pessimism is *faith*—faith in the people to whom you have assigned an important job, faith in yourself, faith in God. People more often than not live up to the faith they know you have in them. You yourself more often than not do a good job if you believe you can.

5. *Courage.* Managers must be *men who will gamble* — not in the Monte Carlo, Churchill Downs or crap-shooting sense of the word. Business is a matter of taking a risk and quite often the magnitude of the risk is a measure of the possible gain, or loss.

In nearly every business decision someone must have the courage to take positive action without having in hand *all* the facts and data that make that decision risk-free. To wait for all the necessary information may mean missing an opportunity, may mean a more aggressive competitor will take the important initiative, may mean a timing

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failure. Timing in business affairs is vital. So usually someone, a manager with courage, must stick his neck out and decide to do something—now!

It takes courage to delegate. To give a subordinate the authority to perform a function, to stand aside and let him make a decision—a decision that may turn out to be wrong—takes valor. It is a fundamental precept of business management that although the work load may be distributed down the line, and many decisions may and should be made down the line, final responsibility for an operation cannot be delegated. Results of a departmental decision cannot be ducked by the department head; performance of a division is the responsibility of a division vice-president; deeds and performance (or lack of it) of every individual in a company is the responsibility of the president. *A manager can never abdicate his responsibility.*

Since it is a well understood code that a manager must take the blame for the mistakes of his organization, yet at the same time pass along the credit for its success, it defies a man's natural instincts not to review and approve every decision within his jurisdiction. When this happens you have no true delegation. One of the hardest lessons for a manager to learn is to "let go."

THE COURAGE to delegate is particularly strained when the person to whom the job is delegated happens to be young or relatively inexperienced. I have always liked the term American Brake Shoe's William Given uses "*the freedom to fail*," as a basic management principle in this matter. Men will not take risks and make decisions if they find mistakes mean dismissal. The climate of a company, set by its top management, must allow for failures in decision-making if there is to be a development of managerial ability within the organization. We learn far more by our errors than our successes, but it takes a courageous executive to encourage this freedom.

It takes courage to be tough, to say "no" to requests that come daily to a manager's desk. It's much pleasanter to acquiesce and to be a good guy. But with every important executive position goes the unpleasant task of being a wet blanket when the good of the organization is involved.

It takes courage to ask your superior for advice. Many executives have the idea that, once given a responsibility, it will be viewed as a sign of weakness if they admit they are stumped now and then. It always takes courage for a man in an executive position to say "I don't know."

It takes courage to disagree with a superior. There has been a lot written and even more said about the undesirability of the yes-man. Nevertheless, it takes real guts sometimes for a man to say "Boss, I think you are wrong—Sir!" It takes even more guts for a manager to take action without a precedent or company policy to back him up.

When a manager is given responsibility it is not for him to complain or alibi. Nor can he wait for a decree from above when immediate action is called for.

If the action his best judgment tells him should be taken is one expressly forbidden by policy or instruction from higher management, then the executive should try to get clearance for a change of policy. When there is not enough time for the clearance to come through, he has to take action and explain or defend it afterward.

A manager is supposed to get things done. This often takes real pluck.

Lawrence Appley, president, American Management Association, in one of his recent bulletins says: "A principle for the propagation of the Management Species might run as follows: *To blend with one's environment may earn survival; to oppose it risks extermination; to control and redirect it insures progress.*"

6. *Character.* Managers must be *men of high integrity.* The quality of integrity—the honesty, sincerity, the moral posture of a top executive must be unquestionable. This is a common ingredient of all real leaders. They may have the previously discussed five characteristics in greater or lesser degree; on this quality there can be no compromise.

Integrity manifests itself in many ways, some quite subtle, I think.

Leaders of integrity have humility. President Eisenhower, probably the greatest leader of men in our time, demonstrated this quality the night that he was elected President of the United States. You will remember his words as he stood before his deliriously happy campaign workers, having achieved the accolade of American life: "We should always take our jobs seriously but never ourselves."

Arrogant leaders are short-lived. Arrogant managers may survive because they own the business or have their boards of directors buffaloed. But their companies never attain their full potential because people cannot feel loyalty to arrogance. As Clarence Frances once said, "You can never buy an employe's loyalty—this you have to earn."

On this same subject Disraeli wisely remarked, "Every man has the right to be conceited, until he is successful." The success of every manager is so tied up with the efforts of those around him that he cannot help but be humble if he is a man of integrity.

I race sailboats for a hobby—not well, I'm afraid, but enthusiastically. In sailboat racing we have a term known as "Corinthianism" which I believe illustrates this quality of integrity.

I HAD occasion to demonstrate "Corinthianism" to my children a couple of summers ago. The Foxes' boat by some strange fluke rounded the first mark well ahead of the fleet. It was the first time this had ever happened. By an even stranger fluke (the breezes on Long Island Sound are famous for their flukiness) we approached the second mark with our competitors out of sight under our stern. At this exultant moment, father goofed. In rounding this mark the main boom jibed over and struck the buoy a resounding thump. We had fouled out.

I turned the boat and started home for our mooring. The children who were crewing nearly had apoplexy. "Holy cow, Dad, what are you doing, the finish line is in the other direction!" I explained we had committed a foul and were required to withdraw from the race. "But no one saw us—not even in their glasses could they have seen us!"

It took a little while to point out that since *we* knew we had committed a foul that was all that counted. *That is "Corinthianism."*

To be a manager a man must have the confidence of his superiors that his actions will be the same whether his deeds are subject to observation or not. *This is integrity.*

I think that the development of managers is of tremendous importance—important to our children and the generations to come, important to the free enterprise system, important to our country, important to our precious American way of life. It is a profession of which I am proud to be a member—junior grade. I would be supremely happy if either of my sons or both of them, would choose to aspire to and could qualify as managers. ■

ROBERT A. WEAVER, Jr., a native of Baltimore, went to the Bettinger Enamel Corporation in 1945 as vice president. At that time the firm was a porcelain enameling jobber with 18 employees and a small, debilitated plant in Waltham, Mass. It was badly in debt and losing about twenty-five thousand dollars on sales of approximately a hundred thousand. Mr. Weaver became president of the firm in 1947, and in ten years boosted the firm's total assets from two hundred thousand dollars to over a million, increased the number of employees from seventy-six to two hundred and thirty. The story that follows will give details.

The Success Story Of The Bettinger Corporation

by Robert A. Weaver Jr.,
President
The Bettinger Corporation
Waltham, Mass.

TURN the clock back ten years, and take a look at a small New England company in a depressed field.

Operating in the same way it had for generations, the company was losing $25,000 a year on sales of about $100,000.

Then a new president enters the picture, introduces creative management techniques. In the succeeding decade the company becomes the leader in its rejuvenated industry. Its annual sales rise to $2,300,000; its net profits to $132,000.

This, in brief, is the success story of The Bettinger Corp., Waltham, Mass., manufacturers of porcelain enamel products.

In 1946 I stumbled upon the Bettinger plant while searching for a way to try out some management and product development ideas. I was impressed with the favorable qualities of porcelain enamel: durability, strength, beauty, low maintenance costs, resistance to corrosion and acid. I felt the company could develop its centuries-old ceramic-on-metal process for a broad range of highly marketable new lines.

I invested modestly in Bettinger. Actually, I bought 50% in a big debt. And I became a vice president. The next year, 1947, Bettinger showed a small profit. I moved up to the presidency.

The Bettinger Corporation is presently in the last year of a carefully worked out 10-year development program. Although the management activities of the program have been interwoven, for the purpose of presentation in this article, they are separated into individual problem sections:

1. The Basic Blueprint
2. The Financial Methods
3. The Product Development Phase
4. The Expansion Plan

When I stepped into the presidency of Bettinger in 1947, our objective was to use the tiny company as a hub in building a network of plants producing new and improved ceramic-on-metal products wherever major markets were found. We recognized that accomplishment would depend upon three prerequisites: time, a plan, and people.

The possibility of expanding along conventional lines, by aiming immediately for more production and profit, was quickly abandoned. Heavy competition and limited markets for Bettinger's present product lines (stove parts, enameled metal signs, etc.) made success by this approach unlikely.

Instead, it was determined to set aside a period of 10 years for intense research and Development. During this period, profitable production in conventional lines would be considered a primary objective only to the extent that it helped to finance the development work.

The thought was to change the direction of the company through development of new products. We also held the conviction, that many management methods generally considered to be reserved only for big business—public financing, for example—could be applied successfully in a small company like Bettinger.

Many specific stepping stones were charted within the broad ranges of program that was finally evolved. Basically, this plan was divided in two parts. First, from 1947 to about 1952 all possible effort would be devoted to product development. Then from 1952 to 1957 the emphasis would shift to plant development—building an organization of improved plants where the new products would be manufactured.

Like most small companies that are growing, The Bettinger Corp. faced financial problems.

Generally speaking, we found that small businessmen have avoided public financing for these reasons: 1) they don't have a clear picture of the specific advantages. 2) they don't know how to go about getting such financing. 3) they're afraid they will lose control of their businesses. 4) they don't know where their appeal to the investor lies. 5) they misunderstand the role of the underwriter and are shocked by his seemingly high fees. And finally, they

are overawed by SEC regulations.

From almost every standpoint, analysis confirmed that a public stock offering would be the most satisfactory financing method Bettinger could use. For the primary purpose of raising working capital, it had an advantage over loan or debt financing in that there would be no fixed interest charges. Since Bettinger was already showing promise of substantial future growth, the stock would hold appeal as a capital gains investment. In the early years, profits thus could continue to be reinvested in the development program, rather than paid out in dividends. Investors would prefer this if the company showed promise of later dividends.

FURTHERMORE, there would be advantage in providing marketability for the company's stock. While Bettinger remained a closed corporation, its stock would hold no value greater than actual book value, and probably no market or cash value at all. A public offering, on the other hand, would naturally give the stock a market value which could be expected to rise.

Public financing would strengthen Bettinger's credit position for obtaining short-term loans. As the net worth of the company increased, so would its line of credit.

Another advantage the study made apparent was that a market value for Bettinger stock might provide a favorable means for the purchase of interests in other companies. For example, if a stock issue were put out at, say, $3.50 per share and the market value later increased to $7, even if the company's book value remained unchanged a purchase made through exchange of stock would actually cost Bettinger no more than half the price.

There was the question to be studied of whether control of the company might be diluted, or lost through a public stock offering. Analysis, however, showed that practical control would be more likely to be diluted if a big minority interest were sold to a small group.

The major disadvantage of small company public financing turned up by the study was that, percentage-wise, costs of floating a small issue are much higher than for large issues, because of the element of fixed costs.

Finally, we concluded that a small company was justified in offering its stock to the public if it demonstrated one or more of the following appeals: 1) a satisfactory record of earnings; 2) a product that is cheaper and/or better, in a known market, with a unique potential or unusually high demand; 3) unusually good management; 4) strong growth possibilities. Of these four, prospect of growth seemed the most important—and the one in which The Bettinger Corporation was particularly strong.

When all the facts had been gathered, final decisions were made as to how Bettinger's first public sale of stock would be handled. First it was decided that the issue was to be for straight common shares. The amount would be very modest, only $200,000. A prime objective was to create a good reputation for future issues. The Bettinger management wanted to keep capitalization light so that strong future earnings per share could be achieved.

A successful offering took place in 1949. A second stock issue was undertaken three years later, in 1952. This time the issue was for a slightly larger amount. This second issue was even more successful than the first.

According to the overall plan that had been devised at the beginning of the 10-year development program, product development was to be anchored on the principles of diversification, flexibility and market depth. Here is how these principles were to be applied:

Diversification was to be both vertical and horizontal, providing balance for strength under any economic conditions. Vertically, product development would center in the separate areas of architecture (a product field) and industrial applications (a processing field). Horizontally, each of these two areas would be subdivided into product-type categories. Under architecture would be: monumental buildings, schools, homes, and industrial structures. Under industrial applications would be: automotive, aircraft and marine; atomic energy and electronics; and industrial corrosion resistance applications.

Flexibility would be provided through a third vertical category for miscellaneous products. Here would be included conventional products and those resulting from the research work that were suited to the company's facilities but not necessarily related to either architecture or industrial applications.

Market depth was taken into consideration in two general but flexible rules. Rule One was that the market for a new Bettinger product must be growing and show evidence of real future growth. Rule Two was that the over-all market must hold enough depth so that even a fraction of the total would make for a large, profitable volume.

In theory, the plan was sound. The problem remained to put it into operation.

The Bettinger management has formed the habit of never discriminating against an idea. The scores of new products, and the new materials and processes that have emerged from the Bettinger development laboratory in Waltham, Mass., have been based on ideas, needs and problems emanating from every conceivable source: businessmen (escalator step risers); clergymen (a ceramic-on-steel church steeple); suppliers' salesmen (outdoor movie screens of ceramic coated panels); artists (murals for building exteriors); doctors (hypodermic needles with ceramic coating on the inside); the government (ceramic coated jet engine parts); educators (a huge 28-foot world globe fabricated of porcelain enamel curved sections); Bettinger employees themselves (home roofing shingles); architects (ceramic-on-steel chalkboard); school officials (21 different uses for ceramics-on-metal in the new Whiting Lane School in West Hartford, Conn.); and so on.

Some of the products which are now leaders in the Bettinger line were purchased in undeveloped or semi-developed stages from other companies. Examples are V-Corr industrial roofing and siding and Starfire ceramic-on-steel wall tile.

WHEN the Bettinger development program first got under way, the engineers and production people went to work pushing back the over-all limitations of what ceramics-on-metal could do. They sought ways to make coating that would not chip; to develop coatings that were not shiny; to develop better and cheaper processes and a wider range of suitable material that would withstand greater temperature and corrosion.

Meantime, I and others in the company were out in the field searching for specific new applications and potential new customers. When a problem was found that seemed to fit into the scope of the development plan, it would be measured against questions such as these: Will the solution to this problem provide Bettinger with a large potential market? If not, will it at least provide a practical opportunity for Bettinger to try out new processes and new materials? Will the solution to this problem serve to stimulate interest among other

potential customers?

If the answer to one or more of these questions was a strong 'yes', meetings would be held to discuss the problem. Because of Bettinger's relatively small headquarters staff, it was not difficult to include all levels of personnel in these meetings at one time or another. Participants were encouraged to move away from ordinary thought patterns and view the problem from different perspectives. Keynote of each meeting was: It's got to be done somehow—let's find out how.

It is really surprising what a handful of brilliant technicians can do when they are working together on a well conceived, specifically identified goal.

Today 90% of Bettinger's dollar volume is in products developed in this way during the development years. Only the strongest products—those designed to fill a diversified range of basic and growing needs—are permitted to command a position of prominence in the company's product lines. The others are for the most part left in the background.

In June of this year, a top engineering firm completed a thorough study of Bettinger's product developments and placed a cost value of well over $3 million on the work that has been done.

By 1952, the Bettinger Corporation's product development work was well on its way and products were being market proved. The time had come, therefore, in accordance with the overall plan, to begin shifting attention to the final phase of the 10-year program: organizing a coordinated network of improved plants for the manufacture of Bettinger's new products in strategic markets throughout the world.

Physical plants, important as they were as a factor in Bettinger's proposed expansion plan, were not the only—or necessarily the prime—consideration. The human factor was also importantly involved.

OUR main purpose was to build associations with companies that could help us expand. The underlying principle we had determined to follow in making these associations was to concentrate on people—to connect with people who could contribute to the Bettinger organization and who possessed the same philosophy and thinking on such matters as diversification as our own.

With the small development company as a base, we did not have great financial resources at our disposal. However, the second public stock offering, which took place in 1952, was timed to coordinate with the beginning of the plant development program, making additional capital available. Furthermore, the first half of the development program had provided Bettinger with two major assets that had been calculated to serve as a strong incentive for other companies to join in forming the proposed Bettinger Family.

First, there were the engineering, production and related types of know-how that had been accumulated in Bettinger. Second, there was Bettinger's prestige, which had been steadily growing in solid strength. These assets were recognized as holding a special kind of advantage: they could be used to benefit affiliated companies over and over without being depleted.

Using some of the capital obtained through the second public stock offering, the Bettinger management was able to kick off the plant development program by making two strong moves in 1952.

First, negotiations were completed for Bettinger to obtain 100% of the capital stock of Toledo Porcelain Enamel Products Co., in Toledo, Ohio. This company had its own strong reputation as a producer and several management people with high levels of production experience (e.g., Sylvan Chappius, now President, and Daniel Meeker, now Vice President). The company was favorably located to serve the huge industrial and architectural markets in the mid-west.

Secondly, a 55% controlling ownership was obtained in Porcelain Enamel Products Corp. (PEPCO), in Rehoboth, Mass., a newly organized company formed from three other small firms. This company also provided Bettinger with highly qualified management personnel, plus high speed equipment.

THE next year was devoted to plant improvement. At Toledo, a new production line was installed for the efficient production of ceramic coated industrial roofing and siding. At PEPCO, a continuous production line was installed for making ceramic-on-steel wall tile. At Bettinger headquarters in Waltham, product development and laboratory facilities were expanded, in addition to the construction of high temperature ceramic processing facilities.

In 1954, two more small firms became affiliated with Bettinger, contributing people and products as well as plants. A 49% ownership was obtained in Sico, Inc., Portsmouth, N.H., which had developed a unique insulating core material particularly suitable for use in Bettinger curtain wall panels, one of Bettinger's largest volume architectural products. A leading engineer became a part of the Bettinger group through this affiliation.

A 10-year facilities and sales agreement was signed with Halrick, Inc., of Danbury, Conn. This company, headed by another leading technical expert, had developed a wide range of practical applications for ceramic coated aluminum.

We concede there are still big weaknesses in the pattern formed by companies making up the domestic branch of The Bettinger Family. For example, there are no Bettinger plants in the South or on the West Coast. We re-emphasize, however, that the purpose of the 10-year development program has been to provide a foundation only—a beginning for continued expansion in the future on a high production and profit basis.

The approach that had been planned for expanding into foreign markets was

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through licensing agreements with existing manufacturers. Preparations for internationalization had begun years in advance with intense studies 1) to determine which world markets held the strongest potential for Bettinger products, and 2) to determine which company in each of these markets was best qualified to produce and sell these products.

There were two major points in the proposed contracts. First, foreign companies would make and sell Bettinger products in their own markets on a royalty basis. This would provide Bettinger with its profit. Second, each licensee would pay Bettinger an initial fee and a monthly technical fee to cover the cost of a broad range of services to be provided by the Waltham technical staff. All such fees would be used for continued research and development work.

The licensing agreements were to run for 20 to 25 years. Before becoming committed to a series of such long range agreements, the Bettinger management decided to test the workability of the plan with a pilot agreement. Thus, in 1953, the first 25-year royalty and technical service fee agreement was signed with Graham Bell Ltd., a well staffed porcelain enamelling firm in Ontario that was enthusiastic about the growing markets in Canada for Bettinger products. Unfortunately, soon after the agreement was signed, the Graham Bell plant was totally destroyed by fire.

IN ALL arrangements with other firms, we have operated on the thesis that no deal is any good unless it benefits both sides equally. Following the Graham Bell fire, we had an opportunity to demonstrate what this means—on the basis of our experience with The Bettinger Corporation's public financing program, we took the lead in arranging a public sale of stock for the Canadian firm. The offering was a success, and as a result, by mid-1955, Graham Bell had in operation one of the largest and most modern plants of its kind in North America.

Bettinger now owns 18% of Graham Bell and, through an agreement with previous stockholders, has been assigned voting rights to more than 50% of the stock for a 10-year period. I now serve the company as board chairman.

Despite the re-organization of Graham Bell, the pilot licensing agreement there provided the experience necessary to determine that the plan was workable.

On the basis of its pre-planning, the Bettinger management was in a strong position when it began seeking to arrange licensing agreements with foreign manufacturers. As early as 1947, representatives of foreign firms had accepted invitations to visit the Waltham plant during visits to the U.S. Throughout the development program, Treasurer Art Shaver, a Canadian by birth, has been able to apply the extensive experience in international business operations that he acquired while with the Ferro Corp. I myself, while carrying out duties as a consultant with the Small Business Administration, had been able on trips to Washington to gather government information that would be helpful in negotiating agreements with foreign firms.

As a result of long range, coordinated preparation, the actual negotiation with foreign firms has gone smoothly. Four foreign firms joined The Bettinger Family late in 1955. Negotiations with six others are now in various stages of completion.

One of the companies presently affiliated with Bettinger is Mannesmann-Stahlblechblau, in Dusseldorf, Germany, the second largest steel manufacturer in Europe. The others are Elailleries CRAHAIT, Gosselies, Belgium; Inter-Island Gas Service, Inc., Manila, Philippines Islands; and Vitreous Enamelling Corp. (Pty.) Ltd., Cape Town, South Africa. The six companies expected to sign agreements with Bettinger before the 10-year research and development program ends next year are located in South America, Scandinavia, England, Italy, Switzerland and Japan.

As The Bettinger International Family of Companies has grown, its headquarters in Waltham, Mass., has become more and more a coordination and control center. The Waltham plant has become a pilot operation for testing and improving processes. The technical and administrative personnel there have become virtually a consulting group, providing a constant flow of services to Bettinger's various subsidiaries, affiliates and licensees. Equally important, the research and development work continues, aimed at finding more and better applications for ceramics-on-metal. ■

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DR. EARL P. STRONG had a wide range of actual business experience in the fields of retailing and manufacturing before he became Director of the Bureau of Business Research at the Pennsylvania State University. Just prior to joining the University, Dr. Strong served as an executive in a national trade association representing over three thousand retailers and manufacturers, and as Director of the Executive Development Program for the U. S. Civil Service Commission in Washington. Dr. Strong has done considerable research work in the field of business management, and was founder and Director of the Bureau of Business Management at the University of Illinois, where he also served as Professor of Management. He is the author of several texts on management, including *Records Management, Supervision In Business Industry,* and *How To Increase Office Productivity.*

Developing A Management Team

By Dr. Earl P. Strong

Professor of Management and Director
Bureau of Business Research
Pennsylvania State University

THE development of a management team in a business organization — small, medium, or large — involves a number of things. There is, for example, the need for a management philosophy that will permit the development of a management team. There must be a positive attitude toward developing management personnel to solve both the present-day needs for good management as well as to provide sufficient competent management personnel for succession as the needs for replacement arise.

The answer, it seems to me, to the problem of management development lies in bringing about a different philosophy and attitude toward management succession and training on the part of present management personnel. So long as a person thinks, for example, he is not replaceable, then no provision will be made for development of people on his staff or for a successor. Each person must realize, therefore, that he is responsible for his successor. Excuses of lack of money and time are without foundation. Such excuses are born of frustration and lack of planning. There seems little doubt that an interest today in the training and development of people for management jobs tomorrow is a wise and good investment.

At a recent meeting of a top level management group, the question was asked "What is the basic function of management?" This is a question many of us have recognized, pondered over, and then quietly but surely avoided answering. The answer, it seems to the writer, is: Management must facilitate the work of the organization. Too often, perhaps, management sets up blocks that hinder the progress of the work of the organization and frustrate individuals who are attempting to carry out functions within the organization.

Naturally, no person on the management team would purposely set up blocks to the progress of the work of an organization, but often these so-called blocks are set up unwittingly. Those persons within the organization who are affected are certainly at a disadvantage to do much if anything about such blocks since they are subordinate to those who are guilty of such actions.

A case in point came to the attention of the writer not long ago when a company vice president rejected a plan to place a new-type temperature gauge on a piece of production machinery. This gauge would have enabled the plant superintendent to check the temperature of the machine at all times automatically, thereby saving much time and much wear on the machinery. Management rejected the gauge not because of the money involved, but because of lack of support for the ideas of the plant superintendent. The sequel to the situation was the breakdown of the machine, which had to be replaced at a very high cost. In this particular case, the situation was not thoroughly studied by management and a snap decision was made. The effect on the plant superintendent was very great. He felt that he had been let down by management, that his ideas were not valued, and that other ideas and improvements would not be welcome. This resulted in frustration and dissatisfaction on the part of the plant superintendent, which spread to others who observed what had taken place. Management, in short, had not facilitated.

Management cannot afford to adopt the attitude of "blocking" or of recognizing that there is but one way to do things. The value of those in the organization must be recognized and management must constantly evaluate its actions in terms of those in the organization. When activities within the organization are not being facilitated by management, somthing is wrong. The organization will become static under such a situation; the people will become discouraged and frustrated; and competition will certainly catch up.

One of the techniques set up by progressive business organizations to aid in facilitating the work of the organization is to determine and set up definite objectives that management desires to be

met. These objectives are made clear to all persons in the organization, especially to the various levels of management. On an individual level these objectives are stated in terms of goals, which, when put together, are a part of the overall objective or objectives. By so doing, all persons in the organization from the workers on up know exactly what is expected of them, what the goals are, and what the major objectives of the organization are. Management knows, under such circumstances, exactly what to facilitate—where effort needs to be directed, how much effort needs to be made, and who is performing best.

ONE of the most common blocks to progress is resistance to training. Management does not facilitate when it turns down a training program with the explanation that "There is no time to train employees." Often a few hours of training time will result in increased production which, taken over a period of time, would far surpass any time that was spent in the training time taken from the job. In one organization in New York City, for example, production was increased 31 per cent by a training program that took but nine minutes a day for a period of two months. This average increase involved a group of 87 employees. Simple mathematics proves the value of the training time taken. Management in this case was facilitating the work of the organization by approving of and adopting a training program that would, in a very short period of time, result in savings many times the value of the time taken.

Facilitating the work of the organization, then, looms as one of the most pronounced goals of management people at all levels. A practical question that may be asked of oneself is "What have I done today to facilitate the work of my organization?" Can you quickly put your finger on specific instances and cases to prove that you have or have not? Ask your supervisors what they have done to facilitate the work of those under their supervision. Ask middle management people the same question. By so doing, you will make them aware of the need for providing such Facilitating to the end that action will be taken up and down the line on this matter.

In short, it may be said—to facilitate is to manage!

Management Delegation

Every executive daily is confronted with many situations in which he has to ask himself, "Should I do it myself?" or "Should I delegate it?" Authorities in the field of management say the answer to this repetitious question is a chief determinant of whether the executive is able or otherwise. One of these authorities has said the following about delegation:

"The successful executive does nothing himself that anybody of lower rank can do competently. He delegates his authority and reserves for himself: (1) only those matters which he alone is capable of handling; (2) the responsibility for coordination; (3) the task and the time to consider ways in which his company might be doing better and his company making more money; and (4) the task and the time to develop his department heads."

Whether or not you believe in this statement about delegation, the fact remains that these four factors are actually keynotes to the success of a business executive. All managers need to consider these factors in the daily routine of carrying on their business duties and should give special consideration to them in terms of developing others in his organization.

Before a manager can delegate, however, he must have accepted the philosophy that delegation is important to him and his organization, and that he can multiply his own effectiveness only through the process of delegation. Authorities agree that whether an executive will delegate depends on three factors:

1. Does top management encourage him to delegate?
2. Has he accepted the need to delegate?
3. Has he developed his department heads so that they are competent and willing to take delegation?

In considering whether or not the need to delegate has been accepted by managers, we are told that most executives have had to work on their own attitudes to get to the point where they accept the necessity for delegation. It seems only natural for even able men to have erroneous attitudes such as these:

1. "I can do it better."
2. "I must keep my hands on everything."
3. "Management looks to me to know all the answers."
4. "It is traditional for me to do this."
5. "I must protect my power, prestige, and security."
6. "I must be careful not to work myself out of a job."

The successful executive has learned that these attitudes are stumbling blocks in personal and company progress. As he has developed himself and others, the "I" has changed to "We." He has improved his own effectiveness by developing the effectiveness of others.

Have subordinates been developed so that they are confident to take delegation? The most frequent explanation for failure to delegate is to say: "The man down the line is not competent." If he is not competent, then why isn't he competent? Perhaps the following factors apply:

1. I (or somebody before me) selected the wrong man for the job.
2. He is too new on the job for this assignment.
3. He doesn't have the technical knowledge.
4. He needs training.
5. He is too busy, so I'll do it myself.
6. He does not take to responsibility.
7. He may not handle it properly, and we can't afford to make mistakes.

Each of these can be a valid reason for not delegating, but what can be done to bring those upon whom management must depend to the point where they will be competent to take delegation—to accept more responsibilities so that top management can have time to handle those matters which it alone is capable of handling, and, also, to think, plan, and coordinate? The answer to the above question is Training. Just how to train others in the complex job of managing others, as well as managing jobs, is a very important question.

ONE of the most effective methods for management training is coaching on day-to-day assignments. Such coaching is usually done by the executive in close cooperation with his assistant or assistants, and is usually confined to a specific period of time each day. In one organization, the executives who are coaching junior executives set aside a period of one hour each day, during which time they are in constant touch with the junior executives. The junior executives watch the senior executive operate and handle his many duties; likewise, the senior executive observes the junior executive in carrying out his duties, as well as delegated duties which the senior has given him to perform. By self-criticism, as well as criticism from each other, development takes place; confidence is built; and ultimate ef-

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ficiencies in management operation are experienced by the organization.

The future, therefore, of management development is keyed largely to the attitude that company executives have toward the process of delegation. Delegation is the key to all management development, and when it is observed by all executives, both senior and junior, throughout the organization in dealing with subordinates, management can be developed and will be effective to the extent that delegation is practiced.

Management Succession

The problem of management succession should be of interest to management people in all organizations. This problem is not peculiar to large businesses at all but is of concern to small- and medium-size businesses of all kinds whether it be manufacturing, retail, wholesale, or service. To not provide for such succession is shortsightedness of the first order.

Several years ago a business in a relatively small town had just finished a two-year program of physical plant rehabilitation and improvement. Without doubt this program resulted in its having one of the most modern buildings in the area. The officers of this business were all set to rest on their oars and let the business roll in when one of the employees said, "Do you know we have spent $160,000 on the physical assets of this company and not one cent on the human beings within, who constitute the greatest asset of any organization?"

This statement awoke management in this instance to the realization that something had to be done for the employees that would match in importance the improvement that had been made in the physical plant. Consequently, efforts were intensified toward the development of a MANAGEMENT TEAM. The results in this case were remarkable. What has happened is the envy of every business organization in the vicinity. But, what was accomplished in this instance can be done by any other organization that has the WILL to do it. In building the management team referred to above, several important fundamentals were found to be essential to the success of the program. Some of these fundamentals are:

1. It is important to have as many men as possible to look at when choosing a manager at any level, and certainly more than one.
2. It is equally important to have understudies, else one cannot promote, and to be mindful of age spacing in selecting managers and trainees.
3. It is important to know the potentialities of all officers, managers, and trainees within the organization, and to determine just what deficiencies exist, if any, and at what levels.
4. It is important to base the measurement of men upon their desires and abilities to solve problems and their capacities to handle the human relations involved in considering the promotions and salary increases and treat seniority as one but not the sole factor.
5. It is important to provide a proper educational and training program for any field of deficiencies existing, if abilities warrant.
6. It is important to have the courage to go outside to secure managers and trainees, rather than promote a person into a position over his head.
7. It is important when selecting managers and trainees from the outside to give consideration to elevating the standards of education as an employment requirement.
8. It is important to realize that all cannot reach the top, that in the process of growing it is well to understand, and have it fully understood by all, that people can grow horizontally as well as perpendicularly.
9. It is important to have not only the courage but the willingness to delegate responsibility throughout the organization and grant enabling authority.
10. It is important to provide for the timely moving out of all personnel who have reached their zenith and have started to decline, and to recognize it is essential even for some good men who have not reached their zenith to leave sometimes for better jobs because they have grown faster than opportunities present themselves.
11. It is important in small organizations to think of their places as training grounds for greater opportunities, or as stepping stones to better positions in larger organizations. The quality of the personnel would likely increase. No finer place exists than in the so-called "small business" for overall training.
12. It is important to have a plan of exposure of officers and trainees to members of top management in order that they may be able to act intelligently upon recommendations for promotions and salary increases.
13. It is important to provide proper and adequate compensation, but it is well to understand that compensation is in no way the ruling fundamental. Men want to play up to their full possibilities.
14. And lastly, it is important to understand, in dealing with management problems, that the top level is the one to be really concerned about. If the right men are functioning in this level, underneath problems just naturally get solved and disappear.

These fundamentals should all be kept in mind in building a management team. They should contribute immensely in planning toward the laying of the foundation for management teams that are to follow in the years ahead.

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